FOCUS

Hot beverages brew up profits

(Continued from page 32)
slightly by his personal penchant for freshness, which dictates that coffee must be discarded every 12 to 15 minutes or whenever it loses its telltale redish tinge of freshness. The cost-raising result: "Maybe there's a nickel-a-cup difference, which means I get only 90 cents profit instead of 95 cents on every dollar's worth of coffee we serve."

As a specialist in exotic teas and house-roasted coffees, Kaplan has now diversified into a new concept that features both commodities. In January he and partner Rich Brenner launched Highland Grounds, the largest of the swarm of espresso bars and funky coffee houses that have opened in the Hollywood area in the past year.

"To open a coffee house is so much cheaper than opening up a bar or a full-scale restaurant," Brenner says. What's more, since each $2.50 cappuccino contains only about 10 cents' worth of coffee and milk, "it's almost like having alcohol."

Espresso "is better than booze," adds Ajay Sahgal, co-owner of Java, one of the first of Los Angeles' new wave of coffee houses, whose ranks include the Living Room, the Pikme-up, Onyx Sequel, Lizards, Le Cup and Perks.

A new phenomenon for Los Angeles, the coffee-house boom was fueled by youthful patrons who seemed ready to foster a Hollywood espresso culture to rival that of San Francisco's North Beach.

Still, low start-up costs seem to be the true impetus for the boom. The 102-seat Highland Grounds, for instance, occupies a converted, 1,700-square-foot bar building and 1,000-square-foot palm-shaded patio. Leased for $2,000 a month, the place was furnished and equipped for a total of $40,000, including $8,000 for an espresso machine. Currently, sales are hitting the $1,000-a-day mark, Kaplan says.

Sprouting at a time of restaurant-market saturation and rising opening and operating costs, the new coffee houses might be viewed as a modern-day successor to Denny's. "In a sense maybe we are," Brenner says.

Elsewhere in Los Angeles, the four-unit Cheesecake Factory restaurant chain has developed its own impressive coffee culture. A natural complement to the chain's 37 varieties of cheesecake, coffee contributes significantly to the restaurants' annual $8 million-per-unit sales averages.

Douglas Zeif, Cheesecake Factory's operations manager, estimates that the four restaurants annually sell as much as 850,000 $1.50 cups of their special five-bean coffee blend, with each restaurant using an average 230 pounds a week.

What's more, Cheesecake Factory may be the espresso champion of Los Angeles, cranking out as many as 12,000 espresso-based beverages per restaurant each month. Production on that scale is aided by fully automated espresso machines, costing $16,000 each, that grind, load, pressure-brew and eject the beans for each cup at the touch of a button.

With a straight espresso typically costing as little as seven cents to make, Cheesecake Factory's No. 1 and No. 2 selling espresso drinks are aggressively priced at $2.95 for a cappuccino and $2.25 for a double espresso.

"At night we sell a ton" of espresso beverages, Zeif says, naming drunk-driving concerns as the most probable reason for an upsurge in sales.

Coffee consumption in U.S. since 1962 peak: 25-year decline grinds down, perks up

	1962	1985	1986	1987	1988	1989
Cups per capita per day	3.12	1.83	1.74	1.76	1.67	1.75
Cups per drinker per day	4.17	3.33	3.32	3.38	3.34	3.34
Drinkers as % of population*	74.7	54.9	52.4	52.0	50.0	52.5

*over age 10

Source: International Coffee Organization, per National Coffee Assn.

> "To open a coffee house is so much cheaper than opening up a bar or a full-scale restaurant."

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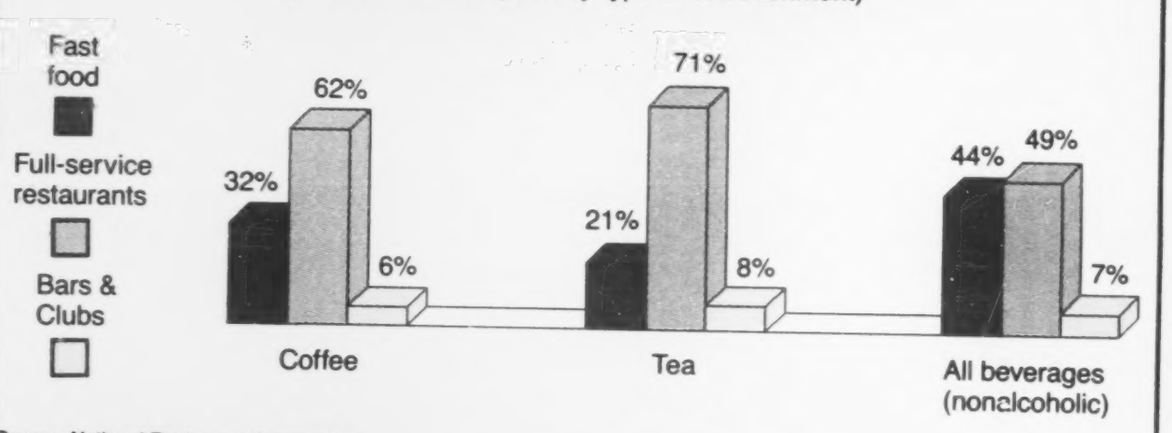
Above: The Pikmē-Up in Los Angeles is only one of the many espresso bars popping up in the area. Right: Tom Kaplan, owner of Caffe Latte, Los Angeles, does a sniff test on the coffee beans, which he roasts himself.

Older coffee-drinking Americans maintain greatest loyalty
(Percentage drinking)

	1962	1985	1986	1987	1988	1989	Change ('62-'89)
age 20-29	81.0	40.5	38.4	33.1	31.9	35.0	−46.0%
age 30-59	90.8	70.6	67.1	67.2	63.5	66.0	−24.8%
age 60 plus	88.4	78.7	77.8	77.8	76.9	78.9	− 9.5%

Source: International Coffee Organization, per National Coffee Assn.

Who's pouring the most coffee, tea?
(Share of consumption by type of establishment)



Source: National Restaurant Association

The art of brewing espresso

LOS ANGELES — Ask Mauro Vincenti how to make good espresso, and he may regale you with arcane information about sugar flotation, relative humidity and "mice tails."

Vincenti, the espresso-loving Los Angeles restaurateur and erstwhile Roman cinematographer, regards the pressure-extracted Italian coffee as a "way of life." He also views the proper brewing of espresso as a practical art form worthy of quasi-scientific analysis.

At his upscale restaurants — Rex il Ristorante, Pazzia and Fennel — Vincenti stresses the fine points of espresso making. He also seizes opportunities to expound on espresso's growing popularity in cafes and bars, bemoaning the apparent lack of essential espresso knowledge demonstrated by some brewers entrusted with the special task.

Vincenti believes that espressso, correctly brewed, can yield more than just high margins and European cachet. It can, he says, also result in the loyal patronage of aficionados of the inky brew and its popular derivatives, such as cappuccino and caffe latte.

Rule one, according to Vincenti, is that less is more when it comes to making espresso.

"When you fill the cup, you are doing a disservice to your customer," he says, stressing that straight espresso is meant to be drunk as a short shot of coffee essence. "If you keep the button pushed or pull the lever more [on a piston-type machine], the only thing you add is water and caffeine."

When properly — that is to say, quickly — extracted, espresso actually contains less caffeine than does conventional coffee, Vincenti asserts. "I drink 17, maybe 18 cups of espresso a day, and if I'm ever nervous or can't sleep, it's for other reasons."

Vincenti insists that a single espresso, when made on the typical imported machine, should fill a demitasse cup to a level no more than an inch deep.

"A good espresso has to stay on your tongue, on your palate, for 20 minutes; that is the sign of a good espresso." To achieve the proper strength and density necessary for that lingering flavor, espresso makers must pay attention to more than just the pedigrees of their beans, grinders and brewing machines, Vincenti explains.

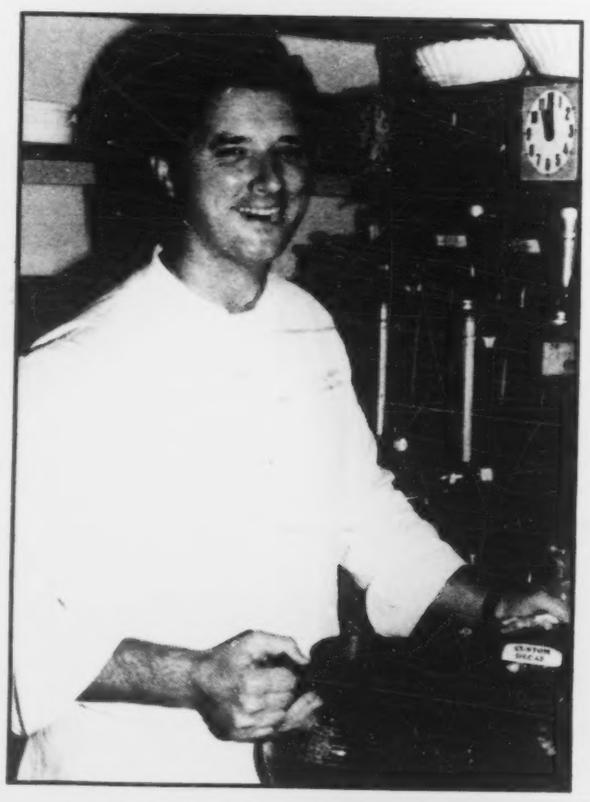
"The sugar has to float, you see?" he remarks, pointing to a spoonful of sugar granules that is buoyed momentarily by the surface tension of a newly brewed espresso's light-brown *crema* coating.

According to Vincenti, the frothy *crema* at the top of the cup indicates that the beans were ground to the proper fineness — coarse enough to release some bean residue but fine enough to restrain the heated water from passing too hurriedly through the grounds. The optimal brewing time for a single espresso is about 25 seconds, he says.

Weather conditions may help to determine the precise grinder setting for proper brewing. Vincenti believes that espresso brewers should learn to assess the prevailing relative humidity each day before adjusting the grinder; that's because grounds of a particular fineness may be too porous when humidity declines and too dense in more humid weather.

After the precise grind is achieved, the machine's coffee holder must be loaded properly and tamped down evenly, Vincenti emphasizes. The harmony of all conditions — grinding, loading and tamping — is revealed during brewing by the appearance of the coffee as it drips from the espresso machine into the cup. The Italians call the ideal fine-streamed trickle the "*coda di topo*" or "tail of the mouse."

Some espresso traditions that are generally presumed to be authentic are, in fact, foreign to the brew's homeland, Vincenti says. "Serving a twist of lemon peel with espresso is definitely not Italian," he flatly declares.



Jerry Comfort, executive chef at Checkers Hotel, Los Angeles, prepares a pot of fresh-roasted coffee. The clocks on front of the brewers are freshness controls indicating how old a pot of coffee is and when it's time to brew a new one.

> "A good espresso has to stay on your tongue, on your palate, for 20 minutes — that is the sign of a good espresso."

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NRN Photo

Gabrielle and Dennis Kaniger inside their restaurant, Venue.

West Coast couple brings LA style to Venue in KC

by Carolyn Walkup

KANSAS CITY, Mo. — During the frontier days, Kansas City was the jumping-off point for the pioneers' westward journey on the California Trail. Now, a pair of explorers from Los Angeles has reversed that journey to find a Heartland home for their own restaurant, Venue.

"There is more room here for a restaurant," said Gabrielle Kaniger, formerly general manager at Los Angeles' well-known City Restaurant, who knew Kansas City from her high school days. Her husband and Venue chef, Dennis Kaniger, was head chef at City for about three years.

Designer Josh Schweitzer, Mrs. Kaniger's brother, did some of Venue's design work. He is better known for designing Campanile, Border Grill and other high-profile restaurants in Los Angeles.

Since Venue opened a year ago on a busy stretch of Main Street near the celebrated Country Club Plaza, it has developed a loyal clientele and a reputation for serving top-quality contemporary cuisine. With just 50 seats in addition to a small lounge with checkerboard tables, it has a personal touch, "like people are coming into our home," Mrs. Kaniger said.

"We want to get to know the customers," she continued, in contrast to what she described as Kansas City's many "corporate" restaurants owned by large companies. "It takes longer to develop a clientele

(See VENUE, page 4)

New scatter bars boost buffet sales

Operators boast separate food "islands" ease long customer lines, hike traffic

by Bill Carlino

In an effort to trim the traditional cattle call of people who patiently wait their turn on the buffet line, operations offering food bars are alleviating customer logjams by converting their traditional straight-line service format to a "scatter bar" concept.

Bonanza, Sizzler, Old Country Buffets, Chuck-A-Rama Buffet Restaurants and several major contract feeders have separated their respective buffet stations into food "islands," thereby allowing the operation to service as many as 20 percent more customers during peak periods.

As an added bonus, operators who have implemented the scatter format in lieu of the traditional straight-line buffet, maintain the system not only scales back customer waiting times but also has ignited individual store sales.

Duane Moss, vice president of the Salt Lake City-based Chuck-A-Rama Buffet Restaurants, a six-unit operation, said that the combination of converting to the scatter buffet format and a new interior remodel at all the units nearly doubled annual sales to about $1 million for each store.

Old Country Buffets, an operation headquartered in Eden Prairie, Minn., is currently using the scatter system in four of its units. The Old Country Buffet stores featuring the new format now have the capacity to service over 300 people an hour as opposed to the previous limit of 250.

At a Sizzler unit in New York, the restaurant's general manager attributes the chain's new "Buffet Court & Grill" to hiking a specific week's revenues about $11,000 over the

(See SCATTER, page 4)

Texas operators cook up 'gastro'-Economic Summit

by Paul Frumkin

Fearing

Del Grande

McGrath

HOUSTON — Three top Texas chefs and a local barbecue chain entered the arena of international diplomacy last week when they were asked by the White House to introduce world leaders attending the Economic Summit of Industrialized Nations to the culinary fare of the Lone Star state.

Determined to showcase the best that Texas has to offer, award-winning chefs Dean Fearing, Robert Del Grande and Robert McGrath teamed up to prepare two key dinners for the seven heads of state and other participants at the two-day summit held at Rice University here.

But prior to that, Luther's Bar-B-Q hosted a cozy Texas-style Economic Summit welcoming party at the Astrohall for President Bush and 5,000 guests.

(See TEXAS, page 4)

Domino's plans sit-down units

by Milford Prewitt

ANN ARBOR, Mich. — Domino's Pizza Inc., whose name is synonymous with home delivery after pioneering it and then perfecting it for two decades, plans to open units with on-premise dining.

In a dramatic shift in marketing and operational strategy rarely seen by industry

(See DOMINO'S, page 65)

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Post-modernist cooking returns to the basics
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Vol. 24, No. 28 July 16, 1990

NEWS BRIEFS

Circle K files for bankruptcy

PHOENIX, Ariz. — After failing to win its creditors' and lenders' approval on a debt restructuring plan, Circle K Corp., the nation's second-largest convenience store operator, with about 4,500 outlets, has filed for Chapter 11 bankruptcy protection.

The company had been negotiating with its creditors and lenders over the past two months to create a "standstill" agreement that would have granted a seven-month freeze on making debt payments.

Since early May, Circle K has been straining under a $1.2 billion debt load and has repeatedly warned its debtors that their refusal to work with the company would prompt it to file for bankruptcy.

Florida operators taxing drinks under new law

TALLAHASSEE, Fla. — Restaurant and tavern operators statewide are grappling with a new tax law that requires them to charge customers an extra fee for every alcoholic beverage they buy.

The establishments are mandated to collect a surcharge of 10 cents for cocktails, 4 cents for every 12 ounces of beer and a dime for every 4 ounces of wine. To meet the Department of Business Regulation's bookkeeping requirements, the places can either tally how many servings of each alcoholic beverage they sell or report how much of each item was purchased from distributors.

The levy was among 11 new taxes recently adopted by Florida in an attempt to generate additional revenues. Several other states, including California and New York, are also eyeing increases in the taxes on drinks.

Prime Motor sells Rodeway Inns

FAIRFIELD, N.J. — Prime Motor Inns has sold the Rodeway Inns International franchise system to Manor Care Inc., parent of Quality Inns International, for $14.9 million.

Prime Motor Inns, which recently completed the sale of Ramada and Howard Johnson franchise rights to Blackstone Capital Partners for $170 million, said it would use proceeds from the Rodeway sale to pay down bank debt.

Quality Inns will manage the Rodeway system.

TCBY franchisee files for Ch. 11

ORLANDO, Fla. — One of the largest franchisees of Little Rock, Ark.-based TCBY has filed for Chapter 11 bankruptcy protection.

Mid-Florida Yogurt Corp., a 46-unit franchisee based here, filed documents with the Federal Bankruptcy Court for the middle district of Florida, Tampa Division.

Jeff Carpenter, president of Mid-Florida Yogurt, said the filing was done for strategic rather than financial reasons, citing an ongoing lawsuit initiated by a former partner.

The bankruptcy filing, coupled with three consecutive quarters of decreased same-store sales at the frozen yogurt chain, prompted an analyst from Shearson Lehman Hutton to downgrade the TCBY stock twice in one week.

Nutrition advocate attacks McD again

OAK BROOK, Ill. — Three months after accusing McDonald's in print of "poisoning America," Nebraska consumer advocate Philip Sokolof has resumed his advertising assault on the chain's nutritional standards.

"McDonald's, Your Hamburgers Still Have Too Much Fat!," trumpeted the headline of full-page advertisements placed by Sokolof in The New York Times, USA Today and other newspapers. The copy also blasted McDonald's, along with Burger King and Wendy's, for cooking french fries in beef tallow.

The ad did not note McDonald's is testing a vegetable-oil frying medium in 500 units.

In April, Sokolof lambasted McDonald's in advertisements that ran in a far greater number of newspapers. Afterward McDonald's sent a letter to the dailies that ran the ad, warning them that the fast-food giant might take legal actions if similar notices were published.

Following Sokolof's initial publicity blitz, McDonald's announced the addition of several healthful menu items, including apple bran muffins and frozen yogurt.

Host to bring Cheers to airports

WASHINGTON — Host International, the airport feeding division of Marriott Corp., has sealed a licensing agreement with Paramount Pictures to develop Cheers bars and lounges in domestic airport accounts.

Marriott will build 46 Cheers units in the next five years, modeling them after the Boston pub that serves as a setting for the popular television series. The first unit will open at the Minneapolis/St. Paul airport in late November.

The agreement also provides the rights to retail official "Cheers" merchandise at Host's airport locations and develop "Cheers" lounges at domestic Marriott hotels. Other terms of the contract were not disclosed.

Integra prexy quits; Steadman named successor

DALLAS — Integra — A Hotel & Restaurant Co., a hotel operator based here — has named David R. A. Steadman to replace Thomas J. Corcoran Jr., who resigned as president and chief executive.

Corcoran quit one day after the collapse of a deal that would have pumped $10 million in new capital into the company and would have allowed Hallwood Group Inc. to sell its 13-percent stake in Integra.

Steadman, president of Atlantic Management Associates Inc., has been an Integra director for about a year.

Burger King opens mobile unit in East Germany

DRESDEN, East Germany — Burger King has seized a lead position in the race by U.S. restaurant chains to stake a claim in the virtually untapped market of East Germany.

Days after East Germany switched from a state-controlled to an free-market economy, the Miami-based franchisor opened a mobile Burger King Express unit here in the heart of the formerly Communist nation. The outlet offers Whoppers, hamburgers, cheeseburgers, french fries and soft drinks.

A number of U.S. foodservice chains, including Burger King and McDonald's, have a strong presence in West Germany. But East Germany was impenetrable before the nation's economic reunification.

Puritan Partners obtains Catch A Rising Star

NEW YORK — Catch A Rising Star, operator of the six-unit nightclub chain of the same name, has agreed to transfer those holdings to Puritan Partners in exchange for the forgiveness of $1 million in debt and the assumption of other financial obligations.

The deal would also empower New York-based Puritan to develop additional places. However, Puritan would be obligated to pay Catch a Rising Star a royalty of 1 percent to 3 percent.

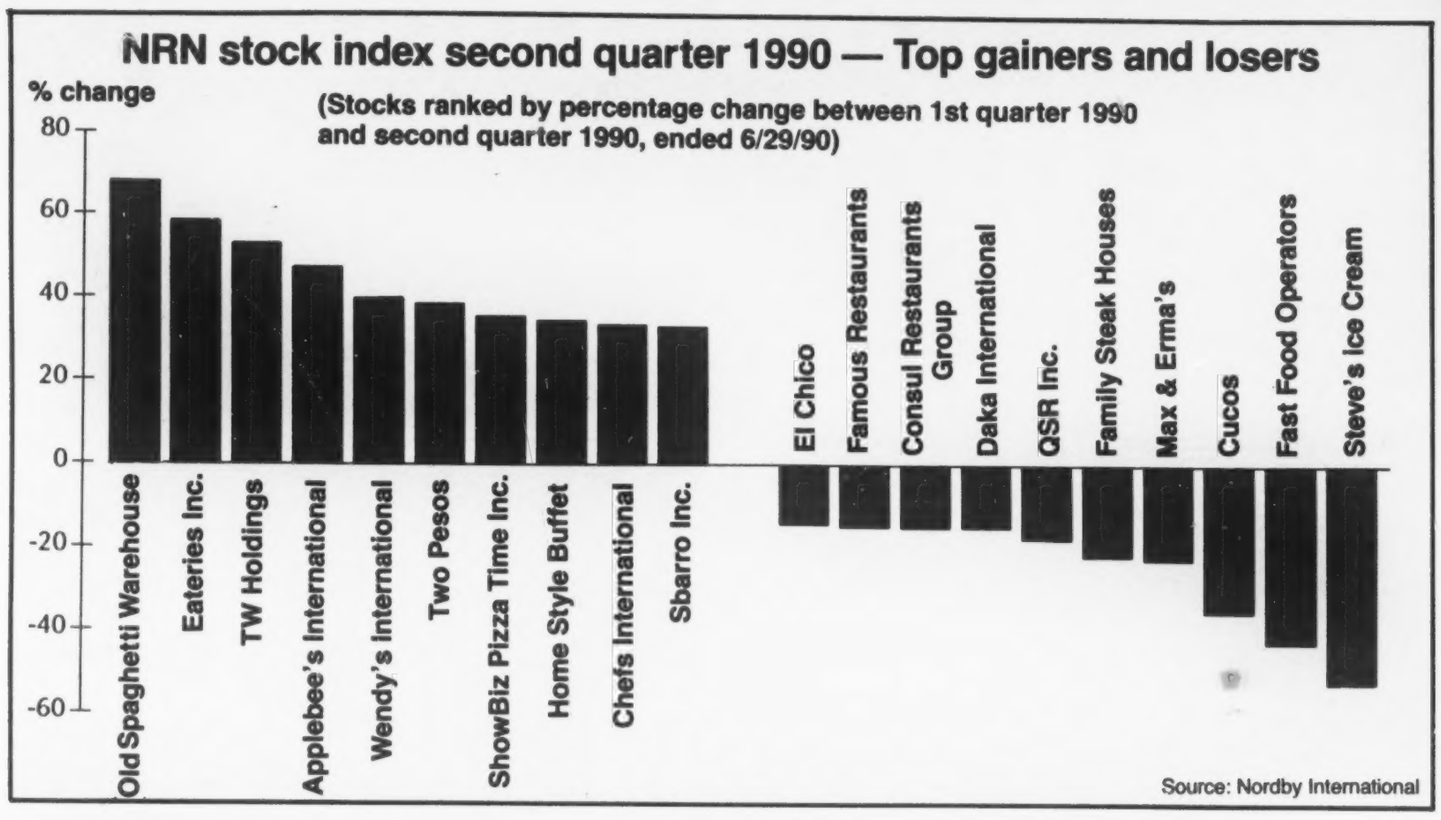
In addition to forgoing the $1 million owed by Catch a Rising Star, Puritan would also be required to assume $250,000 of the company's liabilities and lend the company $300,000 for the payment of taxes.

New Colorado law prohibits random breath testing

DENVER — After intense lobbying by restaurateurs, Gov. Roy Romer has enacted a law requiring police officers to obtain a court order before they administer alcoholic-detection breath tests in a restaurant or a tavern.

The Colorado Restaurant Association helped draft the bill after policemen began cracking down on drunken driving by presenting the tests at will to restaurant and bar patrons.

FINANCIAL NEWS



Source: Nordby International

Restaurant stocks recover from 1st quarter loss

by Milford Prewitt

NEW YORK — Restaurant stocks gained only marginally in the second quarter, but that was still better than most major indexes.

The Nation's Restaurant News Stock Index — a market weighted measurement of 64 restaurant stocks and the broadest monitor of the segment's stock performance — gained 24 points, for an 11 percent increase, to close June 29 at 236.03. The second quarter's gain matched exactly what the index lost in the first quarter, 11 percent.

On an annual basis, the NRN stock index was 19 percent higher than the second quarter closing a year ago. The year-to-year gain surpassed composites of the four most watched Wall Street stock indexes.

During the second quarter, the Dow Jones Industrial Average rose 9 percent, the New York Stock Exchange's Composite rose 10 percent, Standard & Poor's 500 Index rose 12 percent, and NASDAQ, the over-the-counter index, rose 6 percent.

Of the 64 restaurant stocks in the NRN Stock Index by the end of the second quarter, 41 increased in value, two were unchanged, and 21 dropped.

Among the biggest losers was Max & Erma's which lost 22 percent of its share value to close at the end of the quarter at $6, making it the quarter's fourth biggest percentage loser.

Max and Erma's had been battered during the second quarter by analysts projecting severe earnings erosion. The company operates a small chain of casual dining restaurants in the Midwest from its Columbus, Ohio headquarters.

The stock had been 1989's biggest gainer, with a 162 percent advance, to $8.38.

Steve's Ice Cream was the quarter's leading loser, down 52 percent, to $1.25.

Daka International was the sixth biggest decliner, just three months after it headed the list at the end of the first quarter as the segment's biggest gainer in share price. During the second quarter, however, Daka's share price dropped 52 percent to close at 9 cents.

The biggest gainer was Old Spaghetti Warehouse, up 62 percent, to $19.88. Old Spaghetti Warehouse shares have surged on heavy trading even though the company has not announced any major changes in operations or management. But the company did settle a trade dress infringement suit.

Wendy's International, the beleaguered hamburger chain that has suddenly been basking in profit, took fifth on the list of biggest gainers, ending the quarter with a 40 percent increase in share value to $6.63. Wendy's ended 1989 off 20 percent, to $4.63.

Eateries Inc., TW Holdings, and Applebee's International filled out the top five.

FOOD PRICE OUTLOOK

Prices on major commodities are up

by Patt Patterson

Beef and **pork** are still running ahead of last year's prices. For beef, a combination of strong demand and smaller supply has kept prices at about 10 percent to 20 percent ahead of last year's first half figures. Adding to the problem has been lower carcass weights due to animals pulled off feed earlier. No immediate change is seen in any of those major factors.

For pork, forecasts of lowered prices made at the end of last year were frustrated by farmer's actual farrowing. Herds were not increased, and supplies have been tight. A recent U.S. Department of Agriculture survey shows farmers intend to increase their herds this fall, which should mean a larger supply of marketable hogs early next year. But such intentions can change quickly, as they did from last winter's survey. Watch the market on a month-to-month basis.

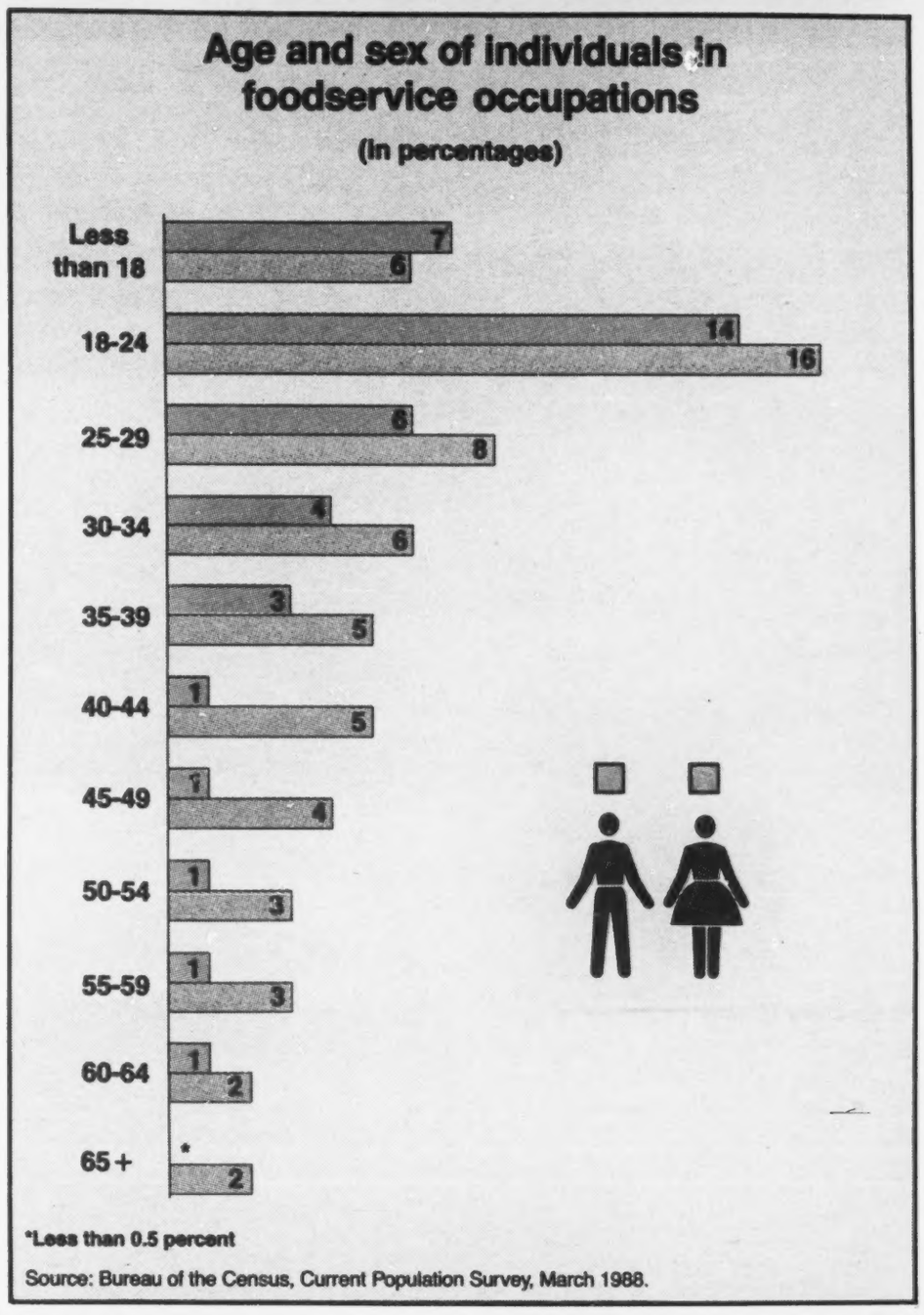
Corn prices are up from last year, due to tighter supplies, heavy export demand, and reduced estimates on the size of this year's crop. Other **feed grains**, especially sorghum, are also expected to have smaller harvests this year.

The USDA had anticipated farmers rained out of corn would put in **soybeans**. Unfortunately, continued rains in the Midwest rained out a lot of the soybean plantings as well. While soybean prices are still below last year, harvest forecasts are down. If both corn and soybeans are tight, meat and poultry prices will rise, too.

Some good news: The **wheat** crop this year is expected to be almost one-third larger than last year. This should have a moderating effect upon flour and feed prices.

Vegetable oils (soy, cottonseed, corn) are moving up in price as **tropic oils** (palm, coconut) and **animal fats** are coming down. The switch from the highly saturated fats to the vegetable oils by shortening makers and food manufacturers has caused the shift.

FACT FILE



*Less than 0.5 percent

Source: Bureau of the Census, Current Population Survey, March 1988.

FINANCIAL DIGEST

Volunteer Capital overcomes year-ago loss

NASHVILLE, Tenn. — Volunteer Capital Corp. said the divestiture of its Mrs. Winner's Chicken and Biscuits division last year was the reason the company's sales dropped 64 percent to $8.5 million for the first quarter ended April 1.

Despite the plummet in revenues, Volunteer overcame a year-ago loss of $2.3 million to post a profit during the quarter of $349,000.

Volunteer, which operates 50 Wendy's hamburger units, said per store sales were up 10 percent with operating profit from the Wendy's operations more than doubled to $540,000.

The company said the per-store sales gains were a result of the customer reception to the new SuperBars buffet lines installed last year and its own remodeling efforts in the guest serving areas.

ShowBiz stock finally cools

NEW YORK — After riding an uninterrupted upsurge in share price since going public a year and a half ago, ShowBiz Pizza Time Inc.'s stock has finally cooled, closing recently at $21.50.

Since going public in January of 1989 with an initial share price of $5.25, shares of ShowBiz, operator of the ShowBiz Pizza Time and Chuck E. Cheese pizza chains, have steadily risen, closing for a 52-week high of $29.

But recently, the share price began falling after chairman and chief executive officer Dick Frank disclosed that after a strong first quarter sales and profit performance, the company is expecting flat same-store sales in the second quarter.

Setbacks bring $2.7M loss to Two Pesos

HOUSTON — Two Pesos reported an annual loss of $2.7 million, largely related to closing poorly performing restaurants.

For the year ended March 3, Two Pesos' losses narrowed from $4.4 million a year ago when revenues hit $40.5 million. For the current year, annual revenues slumped slightly to $40.2 million.

During the quarter, revenues rose 9 percent to $9 million while net losses nearly tripled to $1.4 million.

The company reported an extraordinary credit of $1.25 million resulting from the receipt of insurance proceeds from an insurance carrier who covered the company's court loss.

Last year, Two Pesos lost a copyright infringement suit filed by Taco Cabana and incurred a $3.4 million extraordinary charge. When an insurance carrier refused to cover the judgment, Two Pesos sued the insurer and won.

The company operates 24 of 28 quick-service Mexican restaurants.